



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

AUG 03 2011

Mr. Gary Hagood
Deputy Commissioner
Texas General Land Office
1700 N. Congress Street, Suite 220
Austin, TX 78701

Dear Mr. Hagood:

The Department is accepting Texas' Amendment Number Four to its Action Plan for disaster recovery for Community Development Block Grant (CDBG) supplemental funding under Public Law 110-329 (the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009). The State received a third round allocation under this Act from the Disaster Recovery Enhancement Fund (DREF) in the amount of \$55,481,416. On March 28, 2011, the Department approved the State's Action Plan Amendment Number Three to use \$18,000,000 of the DREF grant to administer the Homeowner Opportunity Program. The entirety of the DREF allocation was subsequently obligated via a grant agreement. Action Plan Amendment Number Four proposes the allocation of the remaining \$37,481,416 of the DREF grant for administration, planning, and program activities.

HUD is accepting the State's proposed Action Plan budget as follows:

<u>ROUND 1</u>	<u>Non-Housing</u>	<u>Housing</u>
Administration	\$29,587,280	\$36,162,231
Planning	\$14,127,258	\$13,671,145
<i>DREF allocation</i>	<i>\$9,656,907</i>	
Program	\$591,232,326	\$541,483,010
<i>DREF allocation</i>	<i>\$17,143,998</i>	
Rental		<u>\$59,926,832</u>
SUB-TOTALS	<u>\$661,747,769</u>	<u>\$651,243,218</u>
<u>ROUND 2</u>	<u>Non-Housing</u>	<u>Housing</u>
Administration	\$38,317,527	\$48,832,534
<i>DREF allocation</i>	<i>\$2,774,071</i>	
Planning	\$32,338,259	\$2,324,400
<i>DREF allocation</i>	<i>\$3,225,909</i>	
Program	\$670,493,499	\$823,195,286
<i>DREF allocation</i>	<i>\$4,680,531</i>	
Rental		<u>\$174,299,853</u>
SUB-TOTALS	<u>\$751,829,796</u>	<u>\$1,048,652,073</u>
TOTALS WITH DREF	\$1,413,577,565	\$1,699,895,291

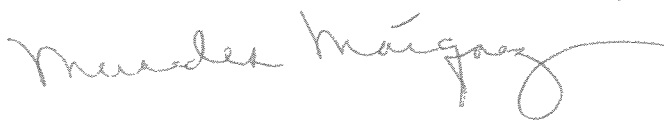
The Department is concerned that the State may not have sufficient funding for the administration of these disaster recovery activities. The amount of CDBG disaster recovery (CDBG-DR) funds that Texas may allocate for administration is limited to five percent of the total grant allocation (\$155,673,643). However, it is unclear whether this amount is sufficient to implement the State's entire \$3.1 billion portfolio of CDBG-DR activities. The State has also indicated it would complete its disaster recovery activities and close out the grant by December 31, 2015, which would require the State to expend an average of \$160 million in CDBG-DR funds *per quarter*. This is more than three times the State's average quarterly expenditure rate over the last three months, which may mean that the recovery will be delayed and outlast the State's administrative budget.

With acceptance of this amendment, the restricted budget balance of \$37,481,416 will be released. However, the Department requests that the State demonstrate how the existing budget for administrative costs is adequate to execute the grant through the closeout process and implement recovery activities in a timely manner. This may be done while HUD staff is monitoring the State's CDBG-DR funding in Austin the week of August 1-5, 2011.

The Department will monitor the DREF-qualifying activities both onsite and in DRGR to ensure that the expenditure of CDBG disaster recovery funds does not result in a duplication of benefits. Please note that the total amount of funds identified by the State as DREF-eligible, \$172,926,391 may not decrease. All CDBG disaster recovery funds must continue to be used in accordance with the federal law compliance statements in the State's Action Plan and certifications required by *Federal Register* Notices 74 FR 7244 and 74 FR 41146. Also, a program accomplishments report should be submitted quarterly through HUD's Disaster Recovery Grant Reporting (DRGR) system.

The Department remains committed to assisting the recovery of the State of Texas from the devastating effects of Hurricanes Ike and Dolly. If you have any questions, please contact Ms. Yolanda Chávez, Deputy Assistant Secretary for Grant Programs, at (202) 708-2111.

Sincerely,

A handwritten signature in cursive script, reading "Mercedes Márquez".

Mercedes Márquez
Assistant Secretary